

Strong Leadership. A Better Canada.

Economic Statement
October 30, 2007

Overview



INTRODUCTION

Canada's economic and fiscal fundamentals are as solid as the Canadian Shield, yet the world economy is experiencing turbulence and increased uncertainty.

Given this global economic uncertainty, now is the time to act. Our strong fiscal position provides Canada with an opportunity that few other countries have—to make broad-based tax reductions that will strengthen our economy, stimulate investment and create more and better jobs.

The Government is taking bold new steps to build a better Canada by:

- Reducing taxes further for Canadians, including a further reduction in the goods and services tax (GST).
- Establishing a new era of declining business taxation.
- Reducing the federal debt by \$10 billion this year.

“Our Government is establishing a proud legacy of tax relief.”

The Honourable Jim Flaherty,
Minister of Finance,
2007 Economic Statement

RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

Economic growth in Canada continues to be strong.

Private sector forecasters expect real gross domestic product growth of 2.5 per cent in 2007, 2.4 per cent in 2008 and 2.7 per cent in 2009.

However, the Government is mindful of economic challenges, such as:

- A significantly weaker U.S. housing market.
- A rapid appreciation in the Canadian dollar.
- The impact of the strong dollar on our manufacturing and forestry sectors.

FISCAL PROJECTIONS

The strength of the economy over the first half of 2007 has bolstered revenue growth and the overall fiscal position of the Government.

The Government is directing higher revenues to reducing taxes and debt.

Planned debt reduction is \$10 billion for 2007–08 and \$3 billion in each year thereafter.

This will bring total debt reduction since 2005–06 to over \$37 billion, lowering the federal debt burden by about \$1,570 for every man, woman and child in Canada.

The Government's Tax Back Guarantee is ensuring that interest savings resulting from debt reduction are being returned to Canadians in the form of lower personal income taxes.

As a result of the additional debt payment, the total value of tax relief provided under the Tax Back Guarantee will rise to \$2.5 billion by 2012–13.





BROAD-BASED TAX REDUCTIONS FOR CANADIANS

This Economic Statement provides a total of \$60 billion of tax relief over this year and the next five years.

Taken together with the previous tax reductions, the Government will have reduced the overall tax burden for Canadians and businesses by almost \$190 billion over this same period, bringing it to its lowest level in nearly 50 years.

Personal

About three quarters of the tax reductions will benefit individual Canadians and their families, including:

- Reducing the GST rate to 5 per cent from 6 per cent, effective January 1, 2008, representing some \$6 billion in annual savings for consumers. This builds on last year's GST reduction to 6 per cent from 7 per cent.
- Increasing the amount all Canadians can earn without paying federal income tax to \$9,600 in 2007 and 2008 and to \$10,100 in 2009.
- Reducing the lowest personal income tax rate to 15 per cent from 15.5 per cent as of January 1, 2007.
- Together, these income tax cuts will deliver relief on spring income tax returns and move some 385,000 people off the income tax rolls at least a year earlier than currently legislated.

SAVINGS FROM REDUCING THE GST TO 5 PER CENT FROM 7 PER CENT CAN BE SIGNIFICANT

- A family purchasing a new \$300,000 home will save \$3,840 in GST.
- A family spending \$10,000 on home renovations will save \$200 in GST.
- A family spending \$30,000 on a new minivan will save \$600 in GST.

Business

The Government is ushering in a new era of declining business taxation in Canada by:

- Making ongoing corporate income tax reductions that will bring the tax rate down to 15 per cent by 2012, from more than 22 per cent today.
- Making an immediate 1-percentage-point reduction in the corporate income tax rate in 2008.
- Reducing the small business income tax rate to 11 per cent in 2008, one year earlier than scheduled.

With these reductions, Canada's general federal corporate income tax rate will fall by one-third between 2007 and 2012, and Canada's corporate tax rate will become the lowest among the major industrialized economies.

How Can I Get More Information on the 2007 Economic Statement?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1-800-O-Canada (1-800-622-6232)

1-800-926-9105

(TTY for the speech and hearing impaired/deaf)

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